

# United States Senate

WASHINGTON, DC 20510

March 5, 2026

The Honorable Michael Selig, Chairman  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st St. NW  
Washington, DC 20581

Dear Chairman Selig:

We write to urge the Commodity Futures Trading Commission to prohibit event contracts tied to U.S. military operations and investigate whether any insider trading has occurred in connection with recent military strikes against Iran.

Event contracts are derivatives that provide anyone with the chance to wager on whether something will occur. Under the Dodd-Frank Act and the CFTC's rules, event contracts that "involve, relate to, or reference assassination or war" are prohibited. This category includes event contracts that predict whether a U.S. adversary will no longer be in office, such as Ayatollah Khomeini in Iran, Nicolas Maduro in Venezuela, or Miguel Diaz-Canel in Cuba. Because these leaders are so entrenched and protected by vast military forces, their continued leadership is perceived to be completely insulated from removal except by armed intervention. As a result, event contracts referencing their ouster "involve or relate to" war.

These contracts are so dangerous to the national security of the United States and so offensive to U.S. values that they far outweigh any legitimate risk-management purpose. Traders with inside information that specific geopolitical events will occur or who can directly influence such events can easily buy event contracts. Given the high potential for insider trading, a surge in buying activity and a rapid price increase can signal that the reference event will occur. Such a pattern could tip off our adversaries that U.S. intervention is imminent. By contrast, speculation in traditional financial instruments that may be linked to geopolitical instability, such as oil, gold, and currencies, do not send direct and specific signals that an attack in one specific country is imminent. And the ability to trade event contracts tied to violent geopolitical events could create financial incentives for someone to actually commit violence for profit.

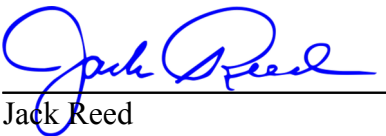
Activity in prediction markets regarding the war with Iran that began on February 28 demonstrates how event contracts tied to U.S. military operations are morally repugnant and provide no social benefit. On offshore platform Polymarket, which is not regulated by the CFTC, at least six wallets made more than \$1 million in profits in just hours by betting that the U.S. or Israel would strike Iran by that date. According to reporting by *Bloomberg*, this activity is the "hallmark" of insider trading. An investigation is already underway by Israeli authorities. On CFTC-regulated platform Kalshi, traders bet whether Ayatollah Khomeini would be "out as Supreme Leader" by that date. Kalshi was still promoting the Khomeini market as its "featured market" throughout the day of military strikes, encouraging speculation on war or death. After Khomeini died, the platform "clarified" that payouts under the contract would be limited and announced that some trading fees would be refunded. Despite these efforts, many traders still apparently profited from price appreciation after the strikes had started but before Khomeini's death was confirmed. The contract resolved when Khomeini died, providing strong evidence that this is a death market and that traders profited directly from speculation on war.

Insiders face little risk of penalty under the CFTC's current enforcement program. The insider trading laws for commodities markets are underdeveloped compared to analogous laws in securities markets. To date, the CFTC has not brought a single enforcement case involving prediction markets. All the CFTC has done is issue a press release highlighting two minor infractions that were addressed internally under Kalshi's own terms and conditions, one involving \$246.36 in illicit profits and another involving \$5,397.58. That signals a lax oversight regime and will not deter insider trading.

To address dangerous national security, market integrity, and immoral outcomes, the CFTC must enforce the law and immediately halt trading in event contracts tied to U.S. military operations. Given the high potential for insider trading and evidence that insider trading did in fact occur in the "Iran strike" contract on Polymarket, we urge the CFTC to investigate this matter on platforms that the agency regulates and ultimately bring big cases to punish significant wrongdoers.

We would appreciate your immediate action on this important matter and look forward to your prompt reply.

Sincerely,



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Jack Reed  
United States Senator



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John Hickenlooper  
United States Senator